



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
Valencia Water Company (U 342 W), a
Corporation, for an Order Authorizing It
to Increase Rates Charged for Water
Service in Order to Realize Increased
Annual Revenue of \$3,470,000 in a Test
Year Beginning July 2007 and \$864,000,
in an Escalation Year Beginning July
2008, and to Make Further Changes and
Additions to Its Tariff for Water Service.

A.06-07-002

**PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES TO THE
APPLICATION OF VALENCIA WATER COMPANY FOR AUTHORITY
TO INCREASE RATES CHARGED FOR WATER SERVICE**

I. INTRODUCTION

Pursuant to Rules 6(a)(2) and 44.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), the Division of Ratepayer Advocates (DRA) files this protest to Application (A.) 06-02-002 of Valencia Water Company (Valencia) for authority to increase its rates charged for water service. The application raises several areas of concern that merit further investigation by the Commission. Therefore, DRA recommends that the Commission schedule both evidentiary and public participation hearings for this proceeding.

II. APPLICATION

In its application, Valencia requests an increase in revenues in the following amounts: (1) an increase of \$3,470,000 or 20.7% in fiscal test year 2007-2008; (2) an increase of \$864,000 or 4.1% in escalation year 2008-2009; (3) no increase in escalation

year 2009-2010; and (4) to make further changes and additions to its tariff for water service.¹ Valencia estimates that this proposal will produce a rate of return on equity of 10.2% in fiscal test year 2007-2008 and 11.75% in fiscal escalation year 2008-2009.² Valencia's estimated rate of return will be 9.56% in the 2007-2008 fiscal test year and 10.68% in the 2008-2009 fiscal escalation year.³

Valencia also seeks the following:

- a) Production cost balancing account;
- b) Installation of a water quality improvement facility.

III. ISSUES

While DRA is still in the process of reviewing Valencia's application, it has identified several issues that it intends to review and address, as necessary, in evidentiary hearings. In addition to the potentially contentious issues identified by Valencia in its application, DRA is concerned with the usual issues reviewed by DRA in rate case proceedings.⁴ These issues include, but are not limited to, Valencia's excessive requested rate of return, its forecast of sales and operating revenue, estimated O&M and A&G expenses, investment in utility plant and depreciation, proposed rate design, and customer service and service quality.

IV. CATEGORIZATION AND PROPOSED SCHEDULE

DRA agrees with Valencia's proposed categorization of this proceeding as ratesetting and that hearings may be necessary to resolve these and other issues raised in Valencia's application. A public participation hearing in Valencia's service area may also be necessary. Therefore, DRA requests that a prehearing conference be held to establish a schedule for this proceeding.

¹ Application at 2.

² Application at 9-10.

³ Application at 9-10.

⁴ Application at 4.

Below is DRA's proposed schedule for this proceeding based on the Rate Case Plan (RCP) for Class A Water Utilities adopted in Decision 04-06-018. DRA's proposed schedule intends to maintain the same time intervals between events as established in the RCP, but accounts for deadlines that fall on weekends or holidays.

EVENT	Rate Case Plan		Diff from RCP	DRA Proposed		
	DAY	DATE		DAY	DATE	Comment
Application Filed	0	July 3, 2006		0	July 3, 2006	
PHC and PPH Period Begins	5	July 8, 2006		7	July 10, 2006	Change from Saturday to Monday but no change in other intervals
PHC and PPH Period Ends	75	September 16, 2006		77	September 18, 2006	Change from Saturday to Monday but no change in other intervals
Update of Utility Showing	45	August 17, 2006		45	August 17, 2006	
DRA/Intervenor Testimony	97	October 9, 2006	+ 2 day	99	October 10, 2006	Day 97 would be a Sunday. Add 2 days because Monday is a holiday
Utility Rebuttal Testimony	112	October 20, 2006	+ 3 days	115	October 23, 2006	With 2 days added, would be Sunday. Add 1 day.
Settlement Discussions	116	October 24, 2006	+ 6 days	122	October 30, 2006	With 3 days added, would be Friday. Add 3 days.
Hearings Start	126	November 6, 2006	+ 7 days	133	November 13, 2006	With 6 days added, would be Sunday. Add 1 day.
Hearings End	130	November 10, 2006	+ 7 days	137	November 17, 2006	
Briefs Filed	150	November 30, 2006	+ 7 days	157	December 7, 2006	
Reply Briefs Filed	157	December 7, 2006	+ 7 days	164	December 14, 2006	
ALJ Memo to Water Division	170	December 20, 2006	+ 7 days	177	December 27, 2006	

Water Division Provides Tables	228	February 16, 2007	+ 7 days	235	February 23, 2007	
ALJ's Proposed Decision Filed	240	February 28, 2007	+ 7 days	247	March 7, 2007	
Comments on Prop. Decision	260	March 20, 2007	+ 7 days	267	March 27, 2007	
Replies to Comments	265	March 25, 2007	+ 8 days	273	April 2, 2007	With 7 days added, would be Sunday. Add 1 day.
Commission Meeting	280	April 9, 2007	+ 8 days	288	April 17, 2007	

V. CONCLUSION

Valencia's Application requests a substantial rate increase. DRA will be conducting discovery to develop its testimony and recommendations. Hearings may be required and a schedule should be established at the prehearing conference that allows for a diligent review of the requested rate increases. Since DRA has not completed discovery or filed its report, it reserves the right to assert any issue discovered after this Protest has been filed.

Respectfully submitted,

/s/ MARCELO POIRIER

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August 1, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document
**“PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES TO THE
APPLICATION OF VALENCIA WATER COMPANY FOR AUTHORITY TO
INCREASE RATES FOR WATER SERVICE”** in **A.06-07-002**.

A copy was served as follows:

☒ **BY E-MAIL:** I sent a true copy via e-mail to all known parties of record
who have provided e-mail addresses.

☐ **BY MAIL:** I sent a true copy via first-class mail to all known parties of
record.

Executed in San Francisco, California, on the 1st day of August , 2006.

/s/ ALBERT HILL

Albert Hill

SERVICE LIST FOR A.06-07-002

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